

**Energy for Sustainable Development
UNDP Initiative for Sustainable Energy
Energy and Atmosphere Programme
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The United Nations Development Programme is the main grant window for technical assistance to promote sustainable development within the UN family of organizations. With Country Offices and programmes of cooperation in more than 130 developing countries, UNDP administers approximately \$900 million of development assistance from its core budget each year.

UNDP has worked on energy issues for a long time. Like many organisations we traditionally approached energy from a sectoral point of view and looked at how to deliver supply options to meet growing demand in developing countries through capacity building and project level assistance. From 1974 to 1994 UNDP had 980 energy projects with a total programme value of \$630 million, \$430 million from UNDP resources and \$200 million from government cost sharing. Only 12% of this assistance dealt with renewable energy and energy efficiency. Most cooperation dealt with supply expansion in conventional energy. This was largely focused on technology demonstrations, technical training and pilot projects. The approach was sectoral, dealing mostly with Ministries of energy and electric utilities and many efforts on training and capacity building were undertaken. There was an implicit assumption that expanded electricity supply would stimulate national development. Many good things were achieved and national capacity was strengthened. However overall trends in energy and development have become more unsustainable; unsustainable in economic, social and environmental terms.

In 1995 UNDP's Executive Board decided that UNDP's core mandate and programme focus should address poverty alleviation as goal number one. In this regard resources were prioritized for efforts focusing on jobs creation and sustainable livelihoods, environmental protection and regeneration, improving the status and participation of women in development, and support for good governance.

UNDP is also called upon to assist programme countries to implement the goals and commitments of the major UN conferences such as the Rio Conference on sustainable development, Beijing Women's Conference, the Cairo conference, Copenhagen Social Summit, Istanbul Habitat II conference etc.

Developing countries look to UNDP as a source of neutral policy advice, support for human and institutional capacity building, for access to information on technology and development trends in other countries and regions, and as the primary entry point to engage in international debate on

development issues related to national development and growth. In this context it was legitimate to ask what role could UNDP have with regard to energy.

In 1996 UNDP initiated a major effort to fundamentally change our programming approach to energy. As a sectoral, infrastructure of investment issue, UNDP has little comparative advantage in supporting conventional energy supply expansion. While the multilateral development banks are an important source of funding for infrastructure development, they too are increasingly less relevant as a source of energy infrastructure financing as the total investment from the private sector expands.

Let me give you some general numbers to illustrate what I mean. In 1995 the total value of foreign aid from all sources worldwide was approximately \$65 billion. The trend is downward from a previous \$74 billion in 1986. This is still the trend in development assistance; resources are declining. Annual investments in energy supply in the mid 1990s were \$450 billion/year and are expected to increase to \$750-1000 billion by 2020 according to the World Energy Council. UNDP's development assistance value was not, and is not, in the strength of volume. Increasingly this is true for the multilateral development banks with regards to energy.

Meanwhile 2 billion people remain unconnected to electricity grids, 2 billion depend daily on wood, biomass or dung for cooking and heating purposes, mainly collected and cared for by women and girls. This is more than one third of the total population of our world. The poor pay more for poorer quality energy services on a unit basis than do the rich. Inadequate or poor quality energy services contribute to the lack of rural employment and contribute to urban migration as people search for jobs and better living conditions. The trend toward urbanization in developing countries means that there are a host of severe local environmental issues related to energy consumption patterns that are on the rise. We are all familiar with the growing importance of global climate change related to CO₂ emissions mainly from fossil fuels. While this is a critical global issue on which UNDP is working actively at the national and global level, climate change alone will remain an unconvincing national and local policy change driver while 2 billion people remain unserved and largely poor.

In this context total subsidies to conventional energy world wide in the mid 1990s were about \$300 billion/year. While \$250 billion of this is concentrated in industrialized countries, energy subsidies in developing countries are about \$50 billion per year. This is roughly the same amount as all foreign aid from all sources. In this context even if UNDP, and indeed all development organizations were to programme every dollar of assistance to support for the energy sector, the question of relevance and impact would remain valid. There are indications that these subsidies, contrary to their objectives, do not benefit the poor, but distort markets blocking decentralized and renewable energy based approaches to the provision of energy services.

As a result, the UNDP Initiative for Sustainable Energy (UNISE) was elaborated and shared with all UNDP country offices in 1996. It was adopted as corporate policy by our senior administration. It explains how UNDP's core development areas, poverty, jobs, women and environment are directly related to trends in the production and consumption of energy. Current approaches to energy are unsustainable in economic, social and environmental terms. Poverty

cannot be addressed without a fundamentally different approach to the provision of energy services. UNISE suggests that UNDP development efforts in energy should focus on energy as an instrument for socio-economic development. Activities to promote energy efficiency in the production and use of energy, renewable energy commercialisation and dissemination, and the introduction of modern, clean energy technologies are the three pillars of this strategy. UNISE argues that the goals and recommendations of the UN global conferences cannot be realized unless there is a fundamentally different approach taken to energy. This is true for both official development assistance and commercial investment.

Energy needs to be approached as a complex development issue, involving a number of sectors and institutional actors. The provision of energy services that meet the economic and social needs of populations in developing countries is the key and this cannot be achieved only through the extension of electricity grids. Energy services include cooking, heating, illumination, and mechanical power.

Mainstreaming energy in our poverty programmes is our key programme goal today. We are attempting to shift our programme focus to an integrated approach to energy. Energy and gender, energy and environment, including the local environment, energy and the generation of productive employment, energy and governance or how to stimulate the appropriate legal regulatory, policy and financial frameworks to enable more sustainable approaches to energy, including renewable energy, to advance in developing countries. These are all key areas for programme assistance.

This new approach advocates cross sectoral dialogue involving multiple government ministries and agencies, private sector interests, producer and consumer stakeholder groups, civil society organisations, technology innovators and other partners. This is consistent with the recommendations of Agenda 21 and more closely relates to UNDP's development mandate and comparative advantage as a donor agency. UNDP activities shall increasingly focus on policy and legal frameworks to promote sustainable energy, capacity building to link energy to other development activities, integrated sustainable development planning at the national and regional level and facilitating the introduction on modern cleaner energy technologies. This will not be easy.

The current UNDP programming cycle runs from 1997-2001. An initial review of national programme outlines and approved projects indicates that in over 40% of programmes at the country level, there are sustainable energy elements planned or under implementation. This includes not only programming of UNDP core resources, but also those additional resources provided by the Global Environmental Facility. The GEF programme resources focusing on renewable energy amounted to \$63 million in 1997 and energy efficiency activities \$56 million. The GEF Small Grants programme administered by UNDP also funds NGO-led national projects on sustainable energy with climate change benefits for up to \$50,000. There are currently 44 such projects. UNDP also provides project-level assistance through the Energy Account with the support of bilateral donors. These focus on the sustainable energy approach.

UNDP also contributes to the international debate on energy. The General Assembly of the UN met in June 1997 to look at a five year review of progress since Rio. To contribute to the

discussion of on energy as a development issue, UNDP prepared "Energy after Rio Prospects and Challenges", which was widely distributed and made available in six languages. It stressed that current approaches to energy are unsustainable in economic, social and environmental terms and a major shift in approaches to energy services delivery is needed if poverty and development goals are to be met. The General Assembly took the decision that a special focus on energy was needed to agree on how to move forward with these complex issues. As a result the ninth session of the Commission for Sustainable Development (CSD9) will meet in 2001 and focus on energy specifically.

This will be an important opportunity for both the public and private sector to come together on operational issues to achieve sustainable energy objectives. In preparation for this UNDP, together with the World Energy Council and the Secretariat of the CSD, are preparing a World Energy Assessment to share what is known and agreed on sustainable energy and where additional policy decisions and market reorientations are needed. We view the preparatory process for this, which is now underway, as an important opportunity to debate what operational changes are needed in current approaches to energy in order to meet sustainable development goals. We are very pleased to be able to engage with a major private sector organization such as the WEC on this effort.

In addition to country level programming UNDP supports regional and global programmes on sustainable energy. At the HQ level we do this through the Global Programme, the Energy Account, and regional programmes with the geographic bureaux of UNDP. These efforts support strategic policy, technology and environmental issues related to energy. We provide support and strategic advice to country offices where the majority of UNDP programme resources are delivered through projects designed and managed at the national level. Recently the UN Foundation was established based on the Turner gift to support UN causes. One of the three main areas of focus is environment, and in particular the link with energy and climate change. This new funding source offers an important new opportunity to work with NGO's on sustainable energy efforts of common interest.

Challenges remain. These are challenges for UNDP and the UN in general, and for all. They include:

- How to link development assistance effectively with the private sector so that markets can be created for sustainable energy?
- How to link commercial scale energy financing with pilot projects in order to scale up approaches that work?
- How to effectively focus international debate on policy actions rather than objectives which are already agreed upon in order to operationalise sustainable energy?
- How to stimulate national level activities that place energy issues within the overall development context in a way that is relevant to poverty reduction and local development needs of both women and men?

- How to stimulate energy activities that increase the number of energy entrepreneurs, create jobs and income, and support new productive opportunities, especially in rural areas?
- How to enable the 2 billion people without access to electricity to partake in the global information and communication changes that potentially open up new access to learning and information to overcome poverty?
- How to ensure that development assistance especially for renewable energy, does not distort markets at the national level and create unintended barriers to more sustainable approaches to energy?
- How to address the phenomenon of the urbanisation of poverty and the energy trends and local pollution trends that this is creating?
- How to involve women as participants, rather than objects, of development assistance regarding energy, especially household cooking needs, energy planning and new financing mechanisms?

Finally energy does not equal electricity. It does not equal a sector. It is not only a supply issue. It is a complex issue related to how to deliver the energy services that people need (cooking, illumination, heating, cooling) in an affordable, environmentally and economically sustainable fashion to enhance the development opportunities of men and women and to overcome poverty.

UNDP is looking for new partnerships, increased relevance, how to stimulate not implement sustainable energy changes, links with other UN agencies, multilateral development banks and the private sector. Cooperation with ESMAP, the GEF, WEC, NGOs, technology developers, and consumer associations may provide this.

Thank you very much.

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